

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON, D. C. 2022

Industry Circular No. 67-14

November 30, 1967

NONBEVERAGE WINE; REVISION OF FORM 702

Proprietors of bonded wine cellars
and others concerned:

Purpose. This circular is issued to advise you of the publication in the Federal Register for November 29, 1967, of Treasury Decision 6936, effective December 1, 1967. This Treasury decision provides temporary regulations in Subpart Z of 26 CFR Part 170, Miscellaneous Regulations Relating to Liquor, respecting the production and withdrawal of wine and wine products rendered unfit for beverage use.

Nonbeverage wine regulations. You were advised of the highlights of the notice of proposed rule making in Industry Circular 67-11, dated September 27, 1967. Since publication of the notice of proposed rule making in the Federal Register for September 23, 1967 (32 F.R. 13416), several changes were made in the proposed regulations by Treasury Decision 6936. The principal changes made are:

(1) In lieu of filing an amended application on Form 698, a proprietor who intends to produce non-beverage wine for withdrawal free of tax from his bonded wine cellar shall, before commencing such operations, file with the Assistant Regional Commissioner a written notice, in duplicate, of such intent.

(2) Segregated facilities for the production and storage of nonbeverage wine will not be required. A proprietor qualified to produce nonbeverage wine may use his existing bonded wine cellar facilities for such purpose, provided the operations are so conducted as to prevent contamination of wine or wine products for beverage use.

Formulas. You are again cautioned that formulas on Form 698 Supplemental must be submitted as required by 26 CFR 170.686 before nonbeverage wine may be produced. Thus, existing formulas for wine products, such as salted cooking wine, must be resubmitted, with samples, for approval before such

formulas may be used to produce a nonbeverage wine for withdrawal free of tax.

Revision of Form 702. Form 702, Monthly Report of Wine Cellar Operations, is being revised as of January 1968 to provide for the following:

1. Special Natural Wines. Part IX, Special Natural Wines, is revised to provide separate columns for reporting special natural wines (other than vermouth), "Not over 14 percent alcohol by volume" and "Over 14 percent alcohol by volume."

2. Adjustments. The instructions on Form 702 are being revised to show the proper method for making adjusting entries necessitated by adjustments made on Form 2050, Wine Tax Return (as explained in Industry Circular 67-9, dated July 26, 1967, and Revenue Procedure 67-30 [I.R.B. 1967-30, 20]).

Nonbeverage wine data. Wine used in the production of nonbeverage wine should be reported as a credit in Part I, Section A, of Form 702. The quantities of nonbeverage wine produced and withdrawn each month should be reported, by tax class, in Part X, Report of Special Operations. Form 702 will be further revised at a later date to make provisions for reporting the production and removal of nonbeverage wine.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.



Harold A. Serr
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